Fox's New Budget Will Keep Mexico Anchored to IMF Conditions

by Ronald Moncayo

President Vicente Fox's government presented its proposed 2001 budget to Mexico's Congress in December, and it reveals that the Fox government intends to continue, in yet more radical form, the suicidal neo-liberal International Monetary Fund (IMF) policies carried out under the previous two Presidents, Carlos Salinas de Gortari and Ernesto Zedillo.

Unlike his predecessors, however, Fox intends to anchor Mexico to these policies, under conditions of the final disintegration of the world financial system, and the imminent disappearance of the consumerist bubble in the United States, which in recent years has purchased more than 80% of Mexican exports. If the policies of Salinas and Zedillo created an economic and social tragedy for the majority of Mexicans, Fox's adherence to these policies, if he continues to insist on imposing them come what may, will lead to a true national holocaust.

This lunacy was not "Made in Mexico." It is a product of the international financial oligarchy, that of Wall Street and the City of London, which has imposed these policies on Mexico and its population. The budget which Fox sent to Congress, was drafted to meet the conditions and terms which the North American Free Trade Agreement (NAFTA), the International Monetary Fund, and the World Bank have foisted on Mexico.

First Condition: Grow Less

By even the Fox Administration's own wildly fraudulent statistical calculations, the new economic program is premised on an increase in unemployment in Mexico. They argue it thusly: Mexico's Gross Domestic Product (that is, the sum of goods and services produced in a year, in monetary terms) grew 7.5% in the year 2000. They assume that this growth rate represents the creation of fewer than 800,000 jobs a year, although a large proportion of these jobs are in the "informal" sector, and are unproductive in physical-economic terms.

According to the National Population Commission (Conapo), 1 million youths join the ranks of the Economically Active Population each year. If we add to this number, the official figures that claim there are only 600,000 unemployed in Mexico (an enormous lie), Mexico would need more than 1.5 million new jobs each year, which would require, by the government statisticians' standards, annual growth rates of at least 10%.

During his election campaign, Fox promised to create 1.2 million new jobs a year. Now, in the best Salinas style, he informs the nation that the economy will only grow 4.5% in 2001, meaning that—with luck—450,000 new jobs will be created. During the combined ten years of the Salinas and Zedillo governments, 25% of the population sank into extreme poverty. Now, according to his own calculations, Fox will generate more unemployment.

However, all of these are Fox's calculations, and reality will be much worse. Mexico will actually experience negative growth in 2001, as the principal market for its exports goes "poof."

In the expenditures column, the first thing that Fox, like Zedillo before him, undertook to secure, was payment of "the financial cost of the debt," currently some $20 billion; that is, 15.5% of total federal government expenditures. At the same time, he imposed zero growth on the rest of expenditures. What has been included in this budget, is the presence of an "extra" 25 billion pesos (close to $2.5 billion, at the current exchange rate of nearly 10 pesos to the dollar) for World Bank-inspired beggars' programs, the so-called "tortilla scholarships" and "micro-credits for Mom and Pop businesses."

Thus, the continuity of the economic model of past years is reaffirmed; that is, the punctual payment of the foreign and domestic public debt, and greater impoverishment of the population.

Second Condition: Inflation Ceiling of 6.5%

A second condition which defined the Fox Administration's proposed economic and financial programs, is to achieve an inflation rate of under 6.5% by December 2001. But the reason for this foolishness as an axiom of economic policy, is the condition required under NAFTA, that by the year 2003, the United States, Canada, and Mexico should all have the same inflation rate, which should be of no more than

3%. This condition has been dubbed "inflationary convergence."

From the earliest days of the Zedillo government, in 1995, it was established that the strategy to follow to reach this goal, would be strict control over monetary emission, accompanied by a nuclear-bomb-proof fiscal discipline. Guillermo Ortíz, the emperor of the Bank of Mexico, quickly complied, and Mexico now finds itself in the unusual position, in which its central bank does not *issue* money, but *withdraws* money from circulation, to the tune of some 350 million pesos daily.

In the final days of Zedillo's government, Ortíz demanded that Zedillo do his part in limiting spending still further, imposing greater fiscal austerity and/or extra taxes in the last days of regime. Instead, Zedillo left that dirty job to Fox, who announced without hesitation that the public deficit, as a percentage of the GDP, would go from 1% in 2000, to 0.5% in 2001. In the face of huge protests from various sectors, Fox had to pull back slightly, setting the deficit goal instead at 0.65% of the GDP. Fox says that he will achieve this result with an increase in net real public revenues on the order of 25 billion pesos, through a combination of increasing taxes and eliminating tax exemptions for different categories.

This "fiscal package" is to be announced in its totality by March 2001. In addition, it is already known that Fox will not substantially increase spending; what there will be, are cutbacks in expenditures for agriculture, energy, state governments, and others, at the same time that existing spending categories are reallocated. In particular, emphasis will be given to granting of scholarships for education (dubbed "*tortibecas,*" or "tortilla scholarships"). However, spending for education as a whole will decrease, from the 26.4% of total spending devoted to education in 2000, down to 25.6% in 2001. And Fox calls himself the Education President.

Third Condition: Expand Exports!

The balance of payment's current account is made up of the sum of the trade balance (exports minus imports), and the balance of services (including interest payments on the foreign debt). Mexico's current account balance has been systematically negative, because of the interest payments on the foreign debt (in 1999, alone, Mexico paid $13 billion in interest), and, often, because imports have exceeded exports.

Of total exports, the *maquiladora* assembly-plant sector consistently produces a surplus, although it requires a great flow of imports which simply enter the country, and then leave as *maquiladoras* exports. For example, in 1999, *maquiladora* exports totalled $64 billion, but $50 billion worth of imports was necessary to make that possible. That is to say, for every dollar exported by the *maquiladoras,* 78¢ worth of imports are required. (The *maquiladoras* are not, properly speaking, part of the Mexican economy, but rather an enclave of foreign-owned factories on Mexican soil, operating on the basis of virtual slave labor, and contributing nothing to the economy.)

In 1999, exports totalled $137 billion, and imports, $142 billion. Thus, the *maquiladoras* represent 41% of Mexico's total trade.

This situation leaves Mexico highly vulnerable, because of its total dependence on production for export. The requirement that Mexico not exceed a 3.8% current account deficit, relative to GDP, means that Mexico's deficit cannot exceed $23 billion, some $5 billion more than in 2000. According to the calculations of Fox and his economists, a deficit this size is "manageable," and does not represent a significant "risk" for the international speculators who need to continue exploiting the national economy down to the last resource possible.

Mussolini-Style Insanity

Fox, seeking to be prudent, will soon end up a tragic figure. The official budget proposals were accompanied by a document entitled, "General Political Economy Criteria," which purports to "provide elements which facilitate comprehension and analysis." In this document, it is argued that the government's medium-term economic objective will be "to increase the growth potential of the Mexican economy in an environment of price stability," and that current economic policy is defined by that framework. At the same time, it analyzes two conjunctural crises, which it asserts must be faced immediately:

1. That the national economy in the year 2000 grew too much, so much so that it is not possible to satisfy demand in such a short time, and therefore the economy must be slowed down;

2. That the economy of the United States grew more than 5% in the year 2000, but in the year 2001, that will slow down to 3%, at the same time that the price of oil will fall, thereby cutting into what Mexico can expect to earn from its oil exports.

The combination of these situations, as expressed in the budget objectives, leads Fox to argue that his economic policy for 2001 should aim for less domestic growth, and much greater exports—to a market that is not going to exist!

Despite the fact that this program is a completely recessive one, and that his model is designed to serve foreign interests, with great cynicism, Fox promises more job creation, an increase in the buying power of wages, that everyone pay taxes, the strengthening of domestic savings, stimulation of credits, etc.—"in sum, an economic policy which is inclusive, participatory, responsible, and committed to the hopes and desires of everyone."

It's just what corporatist Fascist Benito Mussolini promised to Italy, in the 1920s—and just as fraudulent.

By the end of January, according to the Constitution, the official budget should be approved. Some changes will certainly be made, but they will probably be minor ones. The population, still enthralled by Fox's victory, will soon become disillusioned, when they see that, while they knew whom they were voting against in the last election, what they did not wish to see, is that they voted for a new executioner.